

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7527**

**BILL NUMBER:** HB 1669

**NOTE PREPARED:** Apr 15, 2009

**BILL AMENDED:** Apr 9, 2009

**SUBJECT:** Geothermal conversion loans.

**FIRST AUTHOR:** Rep. Michael

**FIRST SPONSOR:** Sen. Gard

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill establishes the Geothermal Conversion Revolving Fund (Fund) for the purpose of making loans to school corporations that: (1) install a geothermal heating and cooling system in a new facility; or (2) install a geothermal heating and cooling system that replaces a conventional heating and cooling system. It provides that the fund is administered by the Indiana Finance Authority (authority). It requires the Authority to establish a written procedure for providing loans from the Fund to school corporations.

The bill specifies that a loan from the Fund may not exceed the difference between: (1) the cost of installing a geothermal heating and cooling system; and (2) the cost of installing a conventional heating and cooling system. It requires a school corporation to enter into a loan agreement with the Authority before receiving a loan from the Fund. It requires the authority to report annually to the Budget Committee concerning the projects funded with loans from the Fund.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** (Revised) This bill establishes a Geothermal Conversion Revolving Fund for the purpose of making loans to school corporations that are either installing a geothermal heating and cooling system in a new facility or are replacing a conventional heating and cooling system with a geothermal system.

Under this bill, the Indiana Finance Authority (IFA) is responsible for administering the fund which consists of appropriations from the General Assembly, the repayment of loans made to school corporations from the fund, any gifts and grants or other money required by law to be deposited in the Fund, federal grants, and

income from investments made by the IFA on behalf of the Fund. At the end of the fiscal year, any money in the Fund does not revert to the state General Fund. The bill also stipulates that any administrative expenses associated with the Fund will be paid from the Fund.

The bill requires the IFA to develop a written procedure for providing loans from the Fund to school corporations. The procedure, at a minimum, must include an application procedure, a procedure to identify eligible projects, criteria for establishing the priority of projects for which loans will be made, and procedures for selecting projects to be funded. The IFA also determines the interest rate and other terms of the loan. Additionally, the IFA has to submit to the Budget Committee an annual report that describes the projects funded with loans from the Fund. The fiscal impact on the IFA is expected to be minimal as the bill directs that the cost for accomplishing these tasks be borne by the fund.

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) This bill authorizes school corporations to borrow money from the Geothermal Conversion Fund to purchase a geothermal heating and cooling system (new school) or replace a conventional heating system with a geothermal one. The maximum amount of the loan cannot exceed the difference between the geothermal and the conventional systems.

The school corporation has to submit an application to the IFA which has final approval. The corporation must enter into a loan agreement the IFA before receiving a loan from the fund. The corporation would have up to 15 years to repay the loan either from its general fund or from its capital projects fund. Under this proposal, the number of school corporations that find it economically feasible to install a geothermal system could increase. The IFA is charged with selecting projects for which loans will be made.

**Background:** According to the Department of Energy, geothermal systems are capable of using up to 30% less energy than conventional systems. Even though they may be several times more costly than conventional systems to install, the additional costs could be amortized within 5 to 10 years. System life is estimated at approximately 25 years. Approximately 50,000 systems are installed in the US annually. Eighteen systems have been installed in Indiana schools.

**State Agencies Affected:** Indiana Finance Authority.

**Local Agencies Affected:** School Corporations.

**Information Sources:** Department of Energy Website: <http://www.eere.energy.gov/>

**Fiscal Analyst:** David Lusan, 317-232-9592.